

AGENDA ITEM: Budget Report

ISSUES TO COME BEFORE THE BOARD AT THIS MEETING:

1. Consider and confirm realignment of FY 2002/03 CLSA local assistance allocations.
2. Consider additional FY 2002/03 allocation of LoC local assistance funds.

RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I

move that the Library of California Board adopt the revised 2002/03 CLSA Budget as displayed in the chart entitled "Recommended 2002/03 CLSA Baseline Budget by Program with \$100,000 Statewide Data Base Reduction and Balance Across the Board" and that the aforementioned chart be included in the minutes of this meeting and that no other actions with respect to the 2002/03 CLSA Local Assistance Budget be taken at this time.

Note: The above motion confirms the action the Board took in August 2002. Processing of CLSA payments required rounding of the figures authorized by the Board. See Issue 1 below for discussion and revised tables.

RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I

move that the Library of California Board direct its Chief Executive Officer to allocate the remaining \$10,000 in Library of California local assistance funds to the seven regional library networks, to be divided equally among them, and that these funds be specified for use for direct services to member libraries and their patrons.

ISSUE 1: Consider and confirm realignment of FY 2002/03 CLSA local assistance allocations.

In August 2002, the Board passed a motion allocating FY 2002/03 CLSA funds to be scheduled to include a reduction of \$610,000 to the CLSA appropriation. As staff began to implement that action, we were informed by our Budget office that Department of Finance (DOF) requires scheduled appropriations to be to the whole thousand (e.g., \$3,990,000) and not to the exact dollar (e.g., \$3,989,933) as specified in the table the Board adopted in August (see Exhibit A). Staff received concurrence from President Fong and Budget & Planning Committee Chair Gaines prior to submitting changes to DOF. This concurrence provided staff the authority to disperse the first payment to the CLSA systems and Literacy programs.

The revised table in Exhibit B displays the CLSA program budgets calculated to the nearest whole thousands. One exception to the modification of funds is the System Advisory Board budget, which was rounded downward in order to spare the System Reference Program budget a further reduction. This decision reflects the Board's August discussion on priority among CLSA program categories. The revision to each category is less than \$1,000.

Recommendation:

Given the Department of Finance requirement to appropriate funds by whole thousands, staff worked with the Board President and the Budget Chair to create a revised allocation that met this requirement as well as the Board's priorities for funding CLSA programs. Staff recommends that the Board concur with the actions of the President and the Budget Chair and approve the revised CLSA 2002/03 Budget allocation by program as displayed in Exhibit B.

ISSUE 2: Consider additional FY 2002/03 allocation of LoC local assistance funds.

With the passage and signing of the State Budget in September 2002, the State Library was notified that the allocation for Library of California local assistance is \$1 million: \$10,000 more than was listed in the May Revise. During the Board's budget discussions at the August 2002 meeting, the Board identified three alternatives for fund expenditure:

- 1) Allocate all LoC funds to a signature program.
- 2) Allocate all LoC funds to the regional library networks.
- 3) Allocate to both a signature program and the regional library networks.

The Board provided funding for the Librarians' Index to the Internet (lii.org), to the Periodical/Serials database, and the remainder of the \$990,000 was allocated equally to the seven networks.

These same three options exist for allocation of the remaining \$10,000. The Board could choose to:

- 1) Provide the entire remaining funds to lii.org as the LoC signature program.
- 2) Allocate the funds equally among the regional library networks, providing each network with an additional \$1,428.57.
- 3) Split the allocation between lii.org and the networks according to a Board-assigned allocation model.

Staff does not believe that sufficient funds exist to reasonably accomplish Option 3, splitting funding among statewide and regional programs. This leaves only options 1 and 2 as viable options.

Following the August Board meeting, staff worked with lii.org to assess the impact of the cuts to its programs and to use LSTA funding to offset LoC funding reductions. \$30,000 in LSTA funding was authorized for lii.org from 2001/02 LSTA funds, and has been provided to them. This brings their funding for 2002/03 to \$240,000. (Note that the LSTA funding cycle for 2001/02 was on the federal fiscal year of October 2001 to September 2002 and overlapped with the state's 2002/03 fiscal year, which began July 2002.)

Regional library networks submitted their plans of service by April 1, 2002 that were approved by the Board in May. As specified by the Board in February 2002, regions presented their plans of service with budgets totaling \$2,576,808. With the May Revise, the Board reduced the amount of funding available to networks to a total of \$750,000 to be divided equally among regions. The Board confirmed this allocation in August 2002.

Recommendation:

The amount of available funding is insufficient to make major changes or adjustments to the currently funded LoC programs. Staff has proposed a motion allocating funds equally across the regional library networks as they have been the most disadvantaged in the allocation process. Staff recommends that the Board review the available options and allocate funds in a manner that best meets its priorities.

RELATED ISSUE TO COME BEFORE THE BOARD IN THE FUTURE:

1. Discussion and consideration of Library of California and CLSA budgets following the release of the 2003/04 Governor's Budget in January 2003.
2. Allocation of Library of California funds to statewide and regional programs, including determination of an allocation model to be used in preparation of regional plans of service for 2003/04.

Relevant Committee: Budget and Planning
Staff Liaison: Diana Paque